

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00 DOTE-00

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SECSTATE WASHDC 3422

INFO AMEMBASSY ANKARA

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E.O. 11652: N/A

TAGS: ETRN, PGOV, GW, WB, TU

SUBJECT: BERLIN AIR CHARTER DEVELOPMENTS

REF: A) STATE 104388 (NOTAL)

B) BERLIN 759

C) STATE 108281

1. SUMMARY: MAT VICE PRESIDENT MCGLON IS PESSIMISTIC ABOUT MAT'S PROSPECTS FOR REMAINING IN BERLIN MARKET IN VIEW OF LOSS OF IMPORTANT CONTRACT FOR UPCOMING WINTER SEASON AND UNCERTAIN PROSPECTS REGARDING MAT'S BIGGEST CONTRACT, WHICH IS STILL UNDER NEGOTIATION. MCGLON STATES STRONGEST COMPETITION IS FROM BRITISH CHARTER CARRIERS, NOT PANAM. TENTATIVE AGREEMENT HAS REPORTEDLY BEEN REACHED BY ALLIED CHARTER CARRIERS WITH THY FOR REDUCTION OF ROYALTY PAYMENT ON TURKISH WORKER FLIGHTS. END SUMMARY.

2. MODERN AIR TRANSPORT (MAT) VICE PRESIDENT AND BERLIN GENERAL MANAGER MCGLON INFORMED MISSION HE HAS RECEIVED
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NOTICE FROM TUI, TRAVEL FIRM WHICH HAS ACCOUNTED FOR

25-30 O/O OF MAT CHARTER BUSINESS, THAT IT WOULD NOT ACCEPT MAT BID FOR UPCOMING WINTER SEASON (NOV '74-MAR '75). MCGLON UNDERSTANDS FIRM IS ABOUT TO SIGN WITH BRITISH CHARTER CARRIER. (PAN AM TELLS US THEY ARE BIDDING ON THIS TOO.) MCGLON IS PARTICULARLY WORRIED ABOUT POSSIBLE LOSS OF WINTER CONTRACT WITH BERLINER FLUG RING, WHICH ACCOUNTS FOR AT LEAST HALF OF MAT BUSINESS. MCGLON STATED THAT STRONGEST COMPETITION IS COMING FROM BRITISH CARRIERS AND NOT, SURPRISINGLY, FROM PANAM, WHICH WAGED STRONG CAMPAIGN LAST YEAR TO WIN 1974 SUMMER SEASON CONTRACTS. HE SAID PRINCIPAL BRITISH CARRIERS, LAKER AND DANAIR, ARE BENEFITING FROM GREATER FUEL EFFICIENCY OF THEIR BAC -11 AND 727 AIRCRAFT COMPARED WITH MAT'S CORONADOS. DANAIR HAS ALREADY WON CONTRACT FOR THIS WINTER WITH NECKERMAN, ALSO CURRENT MAT CUSTOMER, BUT MCGLON CHARACTERIZED AMOUNT OF BUSINESS INVOLVED AS VERY SMALL. HE REITERATED MAT POSITION THAT, UNLIKE THE BRITISH FIRMS WHICH ARE RELATIVELY CLOSE TO HOME BASE, MAT COULD NOT AFFORD TO REMAIN IN BERLIN UNLESS IT WAS ABLE TO RETAIN A SIZABLE PORTION OF LOCAL CHARTER MARKET.

3. MAT'S SHARE OF WEST BERLIN CHARTER PASSENGERS FOR FIRST FOUR MONTHS OF 1974 WAS 46 O/O COMPARED TO 60 O/O FOR SAME PERIOD IN 1973. COMPARABLE FIGURES FOR PANAM CHARTER BUSINESS ARE 1974, 2.5 O/O; 1973, 1.1 O/O. NUMBER OF CHARTER PASSENGERS CARRIED BY PANAM, WHILE STILL RELATIVELY SMALL, TRIPLED BETWEEN THESE TWO PERIODS.

4. CURRENT PERIOD OF CONTRACT NEGOTIATIONS BETWEEN BERLIN CHARTER CARRIERS AND LOCAL TRAVEL FIRMS HAD ALREADY PRODUCED NEW ROUND OF RUMORS CONCERNING POSSIBLE MAT INSOLVENCY AND/OR DEPARTURE FROM BERLIN WHICH, WHEN PICKED UP BY LOCAL PRESS, WERE DENIED BY MAT MANAGEMENT BOTH IN U.S. AND HERE. MAT PRESIDENT MALLOY WAS QUOTED AS STATING MAT NOT ONLY PLANS TO STAY BUT ALSO INTENDS TO REPLACE CORONADOS WITH DC-8'S AND DC-9'S. MCGLON DENIAL STATEMENT STRESSED DIFFICULTIES ALL CARRIERS EXPERIENCING BECAUSE OF TREMENDOUS INCREASES IN FUEL COSTS. MAT HAS ALREADY MOVED ALL AMERICAN-CITIZEN CREW MEMBERS BACK TO U.S. IN ORDER TO PERFORM REQUIRED TRAINING FLIGHTS THERE WHERE FUEL COSTS APPRECIABLY LOWER. CREWS NOW SHUTTLED OVER FOR TWO-WEEK PERIODS. MCGLON HIMSELF PLANS LIMITED OFFICIAL USE

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LEAVE BERLIN WITHIN MONTH TO SIX WEEKS FOR WHAT HE STATES IS LONG-PLANNED TRANSFER TO MIAMI.

5. CHARTER CARRIERS HAVE BEEN GIVEN NOTICE THEY MUST MOVE FROM PRESENT TEGEL NORTH TERMINAL TO MUCH MORE EXPENSIVE NEW TEGEL SOUTH TERMINAL WHEN IT OPENS NOVEMBER 1, 1974, BUT MCGLON CONFIRMS THAT MAT HAS NOT YET CONTRACTED FOR SPACE AWAITING FINAL OUTCOME OF CURRENT CONTRACT NEGOTIATIONS.

MCGLON STATES THAT, IN ANY CASE, MAT WOULD SEEK ADMINISTRATIVE OFFICE SPACE ELSEWHERE AS TEGEL SOUTH RENTS WILL ON AVERAGE RUN THREE TIMES AS HIGH AS THOSE CURRENTLY PAID.

6. ONE BRIGHTER SPOT ON IHARTER SCENE IS REPORTED AGREEMENT OF TURKISH AIRLINES (THY) TO ACCEPT ALLIED CARRIERS' PROPOSAL FOR REDUCED SEAT ROYALTY FOR TURKISH WORKER FLIGHTS DESCRIBED IN REF B. MAT'S SHARE OF TURKISH PASSENGERS CARRIED FROM TEGEL IS DOWN, HOWEVER, FROM 60 PERCENT (JAN-APR 1973) TO 41 PERCENT (JAN-APR 1974). PANAM PLANS TO ENTER THIS MARKET WITH WEEKLY TEMPELHOF-ISTANBUL ROUNDTRIP CHARTER FLIGHT FOR TURKISH WORKERS BEGINNING IN JUNE.

7. COMMENT: WHILE RUMORS CONCERNING MAT'S DIFFICULTIES ARE NOTHING NEW, COMPANY'S BERLIN OPERATIONS WILL OBVIOUSLY BE IN JEOPARDY IF CONTRACT WITH BERLINER FLUG RING IS LOST. REQUIREMENT FOR NOVEMBER 1 MOVE TO TEGEL SOUTH MIGHT WELL THE BECOME COUP DE GRACE.

8. IN SUBSEQUENT CONVERSATION WITH USAA, MCGLON INDICATED THAT, DUE TO FUEL PRICE INCREASES AT MEDITERRANEAN DESTINATIONS, MAT MIGHT EVEN HAVE DIFFICULTY FULFILLING ITS CONTRACTS FOR SUMMER SEASON. KLEIN

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